

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L LISBON 5817

E.O. 11652: XGDS-3
TAGS: PINT PO
SUBJ: VITOR CONSTANCIO ON THE CRISIS

1. AFTER SIGNING THE FY 1978 PL-480 AGREEMENT ON FRIDAY AUGUST 4, I HAD A PRIVATE CHAT WITH FINANCE MINISTER VITOR CONSTANCIO. I HAD SEEN HIM EARLIER IN THE WEEK, AT WHICH TIME WE COMMISERATED WITH ONE ANOTHER OVER THE POSSIBLE EFFECTS ON THE STABILIZATION/ DEVELOPMENT PROSPECTS OF THE POLITICAL CRISIS. AT THAT TIME HE HAD INDICATED THAT THERE WAS STILL SOME HOPE FOR PS PARTICIPATION IN A NEW GOVERNMENT. THAT WAS BEFORE EANES' SPEECH, HOWEVER, AND THE COLD PS COMMUNIQUE IN REACTION THERETO. I WANTED TO GET A FEEL FROM CONSTANCIO OF THE CURRENT SOCIALST ATTITUDE.

2. HE CONFIRMED THAT THE SOCIALISTS WERE VERY DOUBTFUL ABOUT THE WISDOM OF JOINING A GOVERNMENT OF PRESIDENTIAL INITIATIVE (BY NOW EVERYONE SEEMS TO HAVE GIVEN UP ON THE POSSIBILITY OF PATCHING UP THE PS/CDS COALITION). HE SAID THAT THE PS WAS PARTICULARLY WORRIED ABOUT THE PASSAGE IN THE PRESIDENT'S SPEECH IN WHICH HE SPOKE OF THE POSSIBILITY THAT, AT SOME POINT IN THE LIFE OF SUCH A GOVERNMENT, IT MIGHT BE FOUND CONVENIENT TO HAVE "A QUALITATIVE DEVELOPMENT" THROUGH
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A "GLOBAL AGREEMENT AMONG THE PARTIES REPRESENTED IN THE PARLIAMENT AND THE PRESIDENT". THIS QUALITATIVE DEVELOPMENT, BASED ON A PARLIAMENTARY MAJORITY AND ON AGREEMENT "MEDIATED" BY THE PRESIDENT, COULD REMAIN IN OFFICE UNTIL 1980, SUBJECT TO WINNING A VOTE OF CONFIDENCE. CONSTANCIO SAID THAT THIS SOUNDED TO THE SOCIALISTS SUSPICIOUSLY LIKE A GAULLIST-TYPE GOVERNMENT, WHICH THEY REGARDED AS AGAINST THE SPIRIT OF THE

CONSTITUTION. THEY WERE THEREFORE LEERY OF GETTING INVOLVED AT THE OUTSET OF SUCH A COURSE OF EVENTS.

3. I POINTED OUT THAT THE PRESIDENT'S WORDS NEED NOT BE INTERPRETED IN SUCH A DARK LIGHT. IT COULD SIMPLY MEAN THAT A GOVERNMENT ORIGINALLY FORMED TO AT LEAST PREPARE THE GROUNDWORK FOR ELECTIONS MIGHT PROVE VIABLE ENOUGH FOR THE LONGER TERM. HE RESPONDED THAT THE PRESIDENT WOULD HAVE TO CLARIFY WHAT HE MEANT IF THE SOCIALISTS' FEARS WERE TO BE ALLAYED. I SUGGESTED THAT THIS UNDERScoreD THE NEED FOR A SOARES-EANES DIALOGUE, AND HE AGREED BUT ADDED THAT EANES WOULD HAVE TO TAKE THE FIRST STEP.

4. HE ALSO TOLD ME THAT, ALTHOUGH THE SOCIALISTS' COMMUNIQUE HAD BEEN TOUGH, THAT THE BULK OF IT WAS JUST "TEXT" AND THAT THE IMPORTANT POINT WAS THAT IT HAD NOT CLOSED THE DOOR TO PS COOPERATION IN FORMING A NEW GOVERNMENT. THIS MIGHT TAKE THE FORM OF THE PS NOT PARTICIPATING BUT ALLOWING THE GOVERNMENT TO TAKE OFFICE. WHEN I OBSERVED THAT WITHOUT THE PS IN, SUCH A GOVERNMENT WOULD BE SHAKEY, AND THAT HIS OWN CONTINUATION AS MINISTER OF FINANCE WAS AN IMPORTANT FACTOR IN INTERNATIONAL CONFIDENCE, HE AGREED TO BOTH PROPOSITIONS. HE SAID THAT THE SOCIALISTS WOULD NEVER AGREE TO PARTICIPATE IN A GOVERNMENT IN WHICH THE COMPOSITION OF THE CABINET DID NOT REFLECT THEIR NUMERICAL STRENGTH IN THE ASSEMBLY. I TOLD HIM THAT I UNDERSTOOD THAT THE PRESIDENT HAD THAT REQUIREMENT

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IN MIND.

5. GETTING BACK TO THE NEED FOR A SOARES-EANES DIALOGUE, CONSTANCIO SAID THAT HE HAD GOTTEN WORD TO THE PRESIDENT THE DAY BEFORE THAT HE SHOULD TAKE SUCH AN INITIATIVE.

6. COMMENT: IT IS OBVIOUS FROM ALL THIS THAT THE SOCIALISTS HAVE NOT MADE UP THEIR MINDS, THAT THEIR PUBLIC STANCE IS CALCULATED TO SOFTEN UP THE OPPOSITION (EANES), AND THAT THERE IS, THEREFORE, STILL A CHANCE FOR A GOVERNMENT HERE THAT CAN DO MORE THAN GET THE COUNTRY READY FOR ELECTIONS. BUT THEY ARE ALSO BALANCED ON A KNIFE'S EDGE, AND SOARES' WOUNDED FEELINGS ARE OBVIOUSLY A FACTOR. ALSO, WE HEAR THAT A NUMBER OF SOCIALISTS ARE IN FAVOR OF STAYING OUT OF A GOVERNMENT SO THAT IN PREPARATION FOR ELECTIONS THEY CAN RECOUP THE PUBLIC SUPPORT THEY HAVE LOST BY BEING "RESPONSIBLE" FOR AUSTERITY ETC.

7. I HAVE STILL NOT BEEN GIVEN A FIRM DATE TO SEE SOARES. WHEN I DO, I INTEND TO EXPRESS OUR CONCERN THAT ALL THE PROGRESS THAT HAS BEEN MADE ON THE ECONOMIC FRONT COULD GO DOWN THE DRAIN, DEPENDING ON THE OUTCOME OF THIS CRISIS, AND APPEAL TO

HIS PATRIOTISM--WITHOUT DIRECTLY URGING ON HIM A PARTICULAR
COURSE OF ACTION. IT IS QUITE POSSIBLE SOARES IS AVOIDING SEEING
ME BECAUSE HE EXPECTS ME TO DO JUST THAT, AND HAS NOT YET MADE
UP HIS MIND. I HOPE TO GET TO HIM BEFORE HE DOES.
BLOOMFIELD

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